

Migrant Participation in the Labour Force

Migrants are a disadvantaged group in the Australian labour market. Apart from rates of unemployment that are much higher than those experienced by the Australian born, they also have far lower rates of labour force participation¹. While lower rates of participation by migrants may be attributed to such factors as their birthplace (language skills) and period of residence (local knowledge), the ever widening gap in participation between migrants and the Australian born suggests that other dynamic factors must also be at work. This Research Note examines trends in migrant participation and the factors which influence those trends.

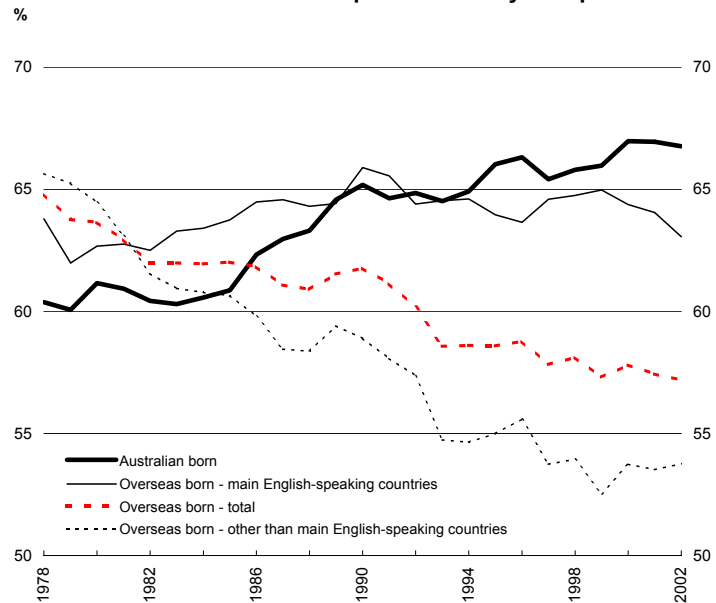
Trends in Labour Force Participation

Differences by Gender and Birthplace

For more than twenty years, migrant participation in the labour force has been trending downwards—from 65 per cent in 1978 to 57 per cent in 2002 (Figure 1). This decrease is almost entirely attributed to males from non-English speaking countries whose rates of participation have fallen dramatically from 83 to 63 per cent over the period. This contrasts with the experience of the Australian born who have increased their participation from 60 to 67 per cent and persons from Main English Speaking Countries (MESC) who have experienced fairly stable rates of participation of around 64 per cent. The stability of the latter group, however, is a consequence of two divergent trends with falling rates for males and rising rates for females from MESC.

Although participation rates have fallen significantly for persons from non-English speaking countries, there are important regional

1. Labour Force Participation Rates by Birthplace



differences. For example, contrary to the general trend, rate increases were recorded between 1991 and 2002 for persons from Southeast Asia (61 to 63 per cent), Southern Asia (68 to 70 per cent) and Africa, excluding Nth Africa (68 to 72 per cent). The biggest rate decrease over the period was recorded for persons from the Middle East and North Africa, down from 58 to 49 per cent.

Migrant Participation Rates Initially Higher Than Australian Born Rates

Despite the inherent disadvantages that many migrants experience in the labour market, and in marked contrast to the situation now, migrants in the late 1970s had a labour force participation rate that was 5 percentage points higher than it was for the Australian born. This was a consequence of the post-war migration boom, of diminishing importance by the late 1970s. Migrants who came to Australia

during the boom years were concentrated in the peak working ages, had a greater propensity to work than the Australian born, and were easily absorbed into a labour market experiencing severe labour shortages. They therefore experienced almost no labour market disadvantage.

From 1980 onwards, migrant participation rates began to fall while rates for the Australian born continued to rise. The gap in their participation rates eventually closed in 1986, after which migrants became even less likely to be in the labour force than the Australian born. By 2002, the migrant participation rate was 10 percentage points lower than it was for the Australian born. Factors which have contributed to this situation are discussed below.

Factors Pushing Down Migrant Participation Rates

Ageing Migrant Population

Migrants are on average older and, because of their different age profile, have been ageing faster than the Australian born. In 1978, the average age of Australian born persons (aged 15 years and over) was 39.7 years whereas for the overseas born it was 42.1 years—a difference of 2.4 years. Twenty years later, the corresponding ages were 41.1 and 46.2 years—a difference of 5.1 years. Since labour force participation rates generally decline with age, the older and ageing profile of migrants help explain not only the decline in migrant participation rates but also why migrants have lower rates of participation than the Australian born.

Ageing effects alone, however, explain less than half the difference in participation between migrants and the Australian born.² Other influences, therefore, also need to be considered.

Industry Restructuring

During the past couple of decades there has been a significant shift in employment away from the manufacturing and construction industries, sectors in which migrants have been traditionally strongly represented, and towards the services sector in which migrants have been less well represented. In 1978, the manufacturing and construction industries together accounted for 25 per cent of all Australian born employment and 38 per cent of migrant employment. Twenty years later these proportions were 19 per cent and 24 per cent respectively. In other words, not only have migrants been heavily concentrated in industry sectors that have been contracting, but the rate at which jobs have been lost from these sectors has been much higher for migrants than for the Australian born.

Another important consequence of industry restructuring is that greater importance is being placed on jobs requiring English proficiency, an area in which migrants are obviously disadvantaged.

Immigration Status

The low participation rate for migrants can also be linked to the large number of migrants that have entered Australia under family migration and humanitarian (ie non-skill based) migration categories. While it has fluctuated considerably over the past 20 years, the proportion of all migrants in these categories has averaged around 45 per cent. The cumulative effect of a history of such high non-skill based migration has been for participation rates for migrants to fall ever further over time.

Rising Unemployment

Since the early 1970s, and after 30 years of almost full employment, unemployment in Australia has been rising episodically to levels that are higher at each succeeding recession. Problems which migrants traditionally experience in the labour market (inferior language skills and fewer contacts), while not an issue during the post war boom years, became more significant as unemployment rates rose after 1970. The result is that migrants have found it much harder to find work than the Australian born.

While it is true that unemployed persons are still in the labour force, high unemployment can lead to lower participation by discouraging others from remaining in the labour force (the so-called discouraged worker effect). This effect has been greater for migrants than for the Australian born and was most noticeable during the 1990–91 recession.

1990–91 Recession

The 1990–91 recession is significant because it resulted in a sudden and permanent drop in the migrant participation rate from 62 per cent in 1990 to 59 per cent in 1993. The decline was even more marked in the case of persons from non-English speaking countries, falling from 59 to 55 per cent over the period (Figure 1). Following the recession, migrant participation continued to fall at approximately the same rate as before the recession, but from a much lower base.

It is interesting to note that the sharp fall in migrant participation that resulted from the 1990–91 recession did not occur during the

1982–83 recession. This may be due to the contrasting nature of the two recessions. The 1990–91 recession was characterised by very high rates of unemployment extending over a very long period of time. Double digit unemployment rates were recorded for 28 consecutive months compared with only 6 consecutive months during the earlier recession. Such high and prolonged rates of unemployment would have accentuated the disadvantage that many migrants experience in the labour market, causing many to leave the labour force rather than remain unemployed. There would have been less compelling reasons for such large scale departure from the labour force during the 1982–83 recession.

Conclusion

Many of the factors pushing down migrant participation rates are ongoing, and will cause rates to decline even further in the future. Recent changes to the migration program, with greater emphasis on skill based entry, should improve labour market outcomes for newer migrants. While migrants have been assisted by favourable labour market conditions that exist at present, history suggests that any future downturn will see disproportionately large numbers of migrants leave the labour force.

1. Defined as the number of persons in the labour force (employed plus unemployed) expressed as a percentage of the civilian population aged 15 and over.
2. Bridge, R. 'Migrants in the Australian Labour Market—Some Trends and Developments'. *People and Place*, vol. 9, no. 1, 2001, pp 51–60.

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